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Vi Healthcare Finance, Inc.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION

In re:

SOUTHERN INYO HEALTHCARE
DISTRICT,

Debtor.

Case No.: 16-10015-A-9

Chapter 9

DC No.: KDG-4

Date: November 14, 2018
Time: 1:30 p.m.
Place: United States Bankruptcy Court
2500 Tulare Street, Fifth Floor
Department A, Courtroom 11
Fresno, California
Judge: Honorable Fredrick E. Clement

DECLARATION OF HAGOP T. BEDOYAN IN SUPPORT OF MOTION TO
DISQUALIFY FOLEY & LARDNER AND ASHLEY MCDOW
AS COUNSEL FOR DEBTOR

1 I, the undersigned, hereby declare as follows:

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3 1. I am licensed to practice law in California. I am admitted to practice before the
4 United States District Court of the Eastern District of California and I am a partner in the law
5 firm Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP ("KDG"). KDG is counsel
6 of record for Healthcare Conglomerate Associates, LLC ("HCCA") and VI Healthcare Finance,
7 Inc., ("Vi"), creditors in the above-referenced Chapter 9 case. I have personal knowledge of
8 the matters stated in this declaration. If the Court or a party called on me to do so, I could and
9 would competently testify to these facts under oath. I have been certified as a specialist in
10 Bankruptcy by the California State Bar's Board of Legal Specialization since 1995. I submit
11 this declaration in support of HCCA's and Vi's Motion to Disqualify Foley & Lardner and
12 Ashley McDow as counsel for Debtor in the Southern Inyo Healthcare District Chapter 9 case
13 ("Inyo").

14 2. Attached hereto as **Exhibit G** is a Certified Copy of the Reporter's Transcript of
15 Recorded Proceedings on October 17, 2017 on Inyo's Emergency Motion to Terminate for
16 Authority to Terminate HCCA Management Agreement, etc.

17 3. Attached hereto as **Exhibit H** is a Certified Copy of the hearing on the Status
18 Conference which occurred on August 29, 2018.

19 4. On September 30, 2017, Tulare Local Healthcare District ("TLHD") filed a
20 Chapter 9 Petition in the United States Bankruptcy Court for the Eastern District of California,
21 Fresno Division, *In re Tulare Local Healthcare District*, Case No. 17-13797.

22 5. In these proceedings, Ashley McDow, counsel for Inyo, has not been successful
23 in presenting an acceptable plan of adjustment. In the Spring of 2018, Ms. McDow withdrew
24 the Second Amended Plan and accompanying second amended disclosure statement. Indeed, in
25 the latest Chapter 9 Status Report filed by Ms. McDow on October 10, 2018 [Dkt. No. 482]
26 there is no mention of when Inyo intends to file what would now be a third amended plan of
27 adjustment.
28

1 6. Since Ms. McDow joined Foley & Lardner became counsel in this case in June
2 of 2018, they have been responsible for little meaningful progress in the case. Since June 2018,
3 the only developments have been status conferences and the initiation of a few avoidance
4 actions.¹

5 7. Ms. McDow, as counsel for Inyo, has been pushing for a mediation in this case.
6 In this mediation, Inyo will be a party seeking to maximize recovery for itself and its creditors,
7 which could include seeking disgorgement of fees from Baker Hostetler (“Baker”) and a waiver
8 of unpaid fees for services performed by Baker under a conflict of interest. However, it is
9 unlikely that Ms. McDow would pursue this source of funds since Baker is her former firm.
10 Independent counsel for the Debtor would be much more likely to pursue this relief because it
11 would not face this conflict of interest. Baker and Ms. McDow will also be parties in the
12 mediation since HCCA and Vi are asserting legal malpractice claims against Baker and Ms.
13 McDow arising from their representation of HCCA and Vi in relation to the Inyo Management
14 Services Agreement and the Vi line of credit transaction, and the conflicts of interest described
15 in this motion. I assume that Baker and Ms. McDow will be seeking to minimize their
16 exposure and liability for these claims. As a creditor, TLHD will be a party in the mediation
17 seeking to maximize recovery of its claim. TLHD’s claim is based upon on the purported
18 transfer of funds between TLHD and Inyo allegedly initiated by HCCA while Baker and Ms.
19 McDow were representing all of these parties. HCCA and Vi will be parties seeking
20 contribution from Baker and Ms. McDow as well as recovery of the amount of its two claims,
21 while resisting exposure and liability based on the allegations in the adversary action initiated
22 against it by Inyo. Ms. McDow and Bruce Greene of Baker will also be critical percipient
23 witnesses to all the events that led to the current dispute amongst all of these parties.

24 8. On September 17, 2018, I sent a letter to Mathew Price, Jeffery Atkin and Ms.
25 McDow of Foley & Lardner requesting that Foley & Lardner voluntary withdraw from
26 representing Debtor in this proceeding. Despite representations from Ms. McDow and Mr.

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28 ¹ The adversary proceeding initiated by Inyo against HCCA and Vi has been prosecuted by Jeffrey
Shinbrot, as special counsel to Inyo.

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Price that Foley would respond to this letter, as of the date of this declaration, I have received no substantive response to this letter. A true and correct copy of this letter is attached hereto as **Exhibit I.**

I declare under penalty of perjury that the foregoing statements are true and correct and that if called as a witness herein I could and would competently testify thereto, and that this declaration was executed on October 15, 2018 at Fresno, California.



HAGOP T. BEDOYAN